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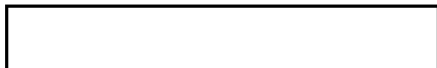
20 March 1952

OCI No. 3897

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s) completed.

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

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SOVIET UNION

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1. Art exhibit in India is latest in Moscow's cultural
barrage: Moscow's latest effort to woo India with cultural propaganda is an art exhibit which has opened in New Delhi. It consists of Soviet painting and sculpture characterized by a "utilitarian realist" approach to art, with complete absence of any type of modern expression. In subject matter, about half of the paintings portray the abundant life in the USSR, while the other half depict party and leaders, the "struggle for peace," the working of Soviet "Democratic" government, labor heroism, Soviet science and technology, and the Red Army. Most sculpture is of Communist leaders or heroes. [REDACTED]

Comment: Although Moscow's cultural efforts to win friends through display of Soviet artistic or technological talent have had some success in India, this blatant pictorial propaganda has received only the strongest criticism in the small part of the Indian press taking note of the exhibit. Several articles debunked the "Kremlin's attempt at seduction," giving a history of Soviet cultural "raids" on India since 1948.

EASTERN EUROPE

2. Soviet Minister to Albania reportedly replaced by
Ambassador: Pravda announced on 16 March that K.D. Levychkin was appointed the new Soviet Ambassador to Albania, replacing Minister Dimitri S. Chuvakhin. The new ambassador was formerly the Deputy Chief of the Balkans Section of the Soviet Foreign Office. [REDACTED]

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Comment: No other information has been received to indicate that the Soviet Legation has been raised to an Embassy.

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Levyckin's predecessor was customarily referred to as the Soviet Minister in Tirana. Before Levyckin's assignment to the Soviet Ministry of Foreign Affairs, he was a Soviet counselor in Sofia.

3. Bulgarian military appropriation for 1952 shows sharp rise over that of 1951: The Bulgarian budget for 1952 provides for an allocation of 40 billion leva - or 11.6 percent of total state expenditures - for the Bulgarian Army.

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Comment: The 40 billion leva allocated to the Bulgarian Army for 1952 contrasts sharply with the 20.6 billion leva appropriated in 1951 and the 13-14 billion leva appropriated in 1950. Since sums set aside for the development of Bulgaria's paramilitary and security forces are probably not included, these yearly figures do not fully reflect actual Bulgarian military expenditures and are of real value only for purposes of yearly comparison. It is not known whether allocations for Soviet aid and materiel are included in the annual Bulgarian budget.

Although the considerable increase in Bulgarian military expenditures slated for 1952 is no doubt due at least in part to rising costs, it probably portends a continuation and perhaps even an intensification of the rapid development of Bulgarian military capabilities noted during the past year.

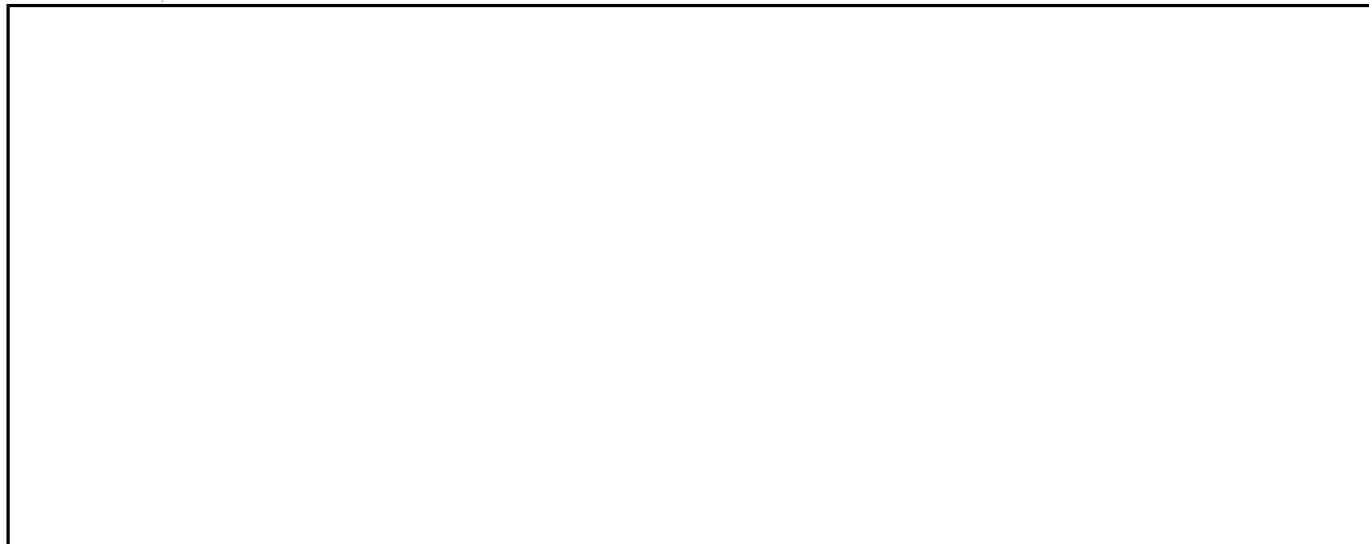
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FAR EAST



5. Indonesian President appoints new cabinet formateur:
President Sukarno on 19 March appointed as cabinet formateur the Economic Affairs Minister of the outgoing cabinet, Dr. Wilopo. Previously appointed joint formateurs -- representatives of the Masjumi and National parties -- had failed to reach agreement after 18 days of negotiations and had returned their mandate to the President on 18 March. [REDACTED]

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[REDACTED]

Comment: Efforts of the joint formateurs failed apparently because of a widening split in the Masjumi Party which prevented its representative from effectively carrying on negotiations. Wilopo is an official of the National Party.

Since Masjumi-National collaboration is the only basis for a stable parliamentary cabinet in Indonesia, it may be expected that efforts will be made to heal the breach in the Masjumi, and that Wilopo will continue negotiations between the two parties.

NEAR EAST - AFRICA

6. Iranian Senate hesitates to act against Mossadeq: The Mossadeq Government during the last few days has been concerned lest the Senate pass a vote of no-confidence. To date, however,

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the Senate has merely appointed a committee to meet with the Prime Minister, and to learn his future policy in the oil dispute and his plans for coping with the country's severe economic difficulties.

25X1 The American Embassy in Tehran believes it unlikely that the Senate will take any decisive action against the Prime Minister. [REDACTED]

Comment: Conservative opposition to Mossadeq has been stimulated by his lack of success in the oil talks and by a larger National Front vote in the elections than was expected. There has been a move in the Senate, which is more conservative and less susceptible than the Majlis to Nationalist pressure, to vote Mossadeq out of office during the Majlis' recess. There is no evidence, however, that the Senate will be any more united or willing to take decisive action against Mossadeq during this session than it has been in the past.

7. Greek Government may fall on issue of executing Communists:
Acting Prime Minister Venizelos is certain that the issue of whether to execute eight condemned Communists will cause the fall of the EPEK-Liberal coalition government within a week or ten days. He is determined, however, to follow the recommendations of the Board of Pardons, whose report is expected by 22 March. After conferring with influential EPEK leaders, Venizelos predicted that twenty to thirty EPEK deputies would resign if the executions were carried out. [REDACTED]

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25X1 Comment: There has been dissension in EPEK over the possible execution of the leaders of the Communist spy ring recently sentenced to death by a Greek court.

One of the EPEK's aims is to attract the extreme left; therefore, it does not want to share responsibility for the executions in view of the inevitability of new elections.

8. Turkey and Greece officially opposed to Italian commander:
The Turkish and Greek Governments are firmly opposed to placing their troops under an Italian commander acting as Admiral Carney's deputy.

However, Acting Prime Minister Venizelos of Greece reportedly told the Italian Ambassador in Athens that his country had no real objection to an Italian commander; the

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Turkish Prime Minister interprets this as a maneuver to strengthen Greek-Italian relations, since Venizelos knew that Turkey would reject any proposal for an Italian commander. [REDACTED]

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[REDACTED]

Comment: Venizelos has denied publicly that he favors placing Greek troops under Italian command. The Turkish Minister's interpretation of Venizelos' action is therefore probably correct.

Turkey wants to be associated as closely as possible with the United States and has from the beginning insisted that it should be responsible directly to Eisenhower's Headquarters. Although General Eisenhower and Admiral Carney have tried to persuade the Turks to accept an Italian deputy, there is no indication as yet that the Turks will agree.

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WESTERN EUROPE



10. East Germans close lock on Havel River: East German authorities on 17 March closed the lock on the Havel River at Gruez. The lock, on one of the routes linking Berlin with the West, will reportedly be reopened on 3 April. [REDACTED]

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[REDACTED]

Comment: Since mid-February the East Germans have closed two other locks, both on canals linking Berlin with the Western zones, allegedly for repairs, but these were both reopened after a relatively short time. The closing of the Gruez lock is expected to have less effect on traffic than these earlier instances.

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The most serious recent East German harassing was the cutting-off on 4 March of electricity supplied to West Berlin. The Soviet control authorities have again been delaying the issuance of export permits to West Berlin firms, but these firms have not been seriously harmed so far. There has been little harassing of parcel post shipments to and from Berlin in the past few weeks.

11. Russian jets "buzz" British plane in Austrian air corridor:
The British High Commissioner in Austria has delivered a strong protest to the Soviet Headquarters against the interception of a British plane by Soviet jet-fighters on 16 March. The plane, which was checking radio controls within the authorized air corridor between the British Zone and Vienna, was twice approached by Russian jets near Wiener Neustadt, and shots were fired in its "vicinity" during the second interception.

The American Air Attache asserts that range checking within flight corridors is a normal operation and does not require prior notification. [REDACTED]

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Comment: This incident closely follows Western rejection of a Soviet proposal to shift the air corridor away from Wiener Neustadt, whose Soviet air installations are subject to air observation. The Soviet High Commissioner warned at that time that the Western powers would have to suffer the consequences of this rejection.


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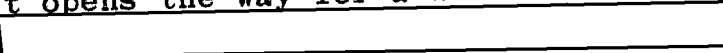


13. Italian business interests divided on Moscow Economic Conference: As a result of the Italian government's stand discouraging participation in the Moscow Economic Conference, a Chamber of Commerce Federation embracing two regions of Italy has rejected an invitation, which presumably came from local "peace" committees. On the other hand, two businessmen and a Christian Democratic Senator in Turin have indicated that they may go to Moscow. 

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Comment: In a letter of 8 March to the press, Premier de Gasperi stated that anyone who wished was free to attend the conference. The Foreign Office has admitted the impracticability of imposing a flat ban on travel to Moscow for this purpose. A considerable number of Italian Communists, individually or in groups, have managed to evade the government's decree of last July which suspended the issuance of passports to individuals desiring to visit Iron Curtain countries.

14. Italian land-reform program may be delayed by court action: The Italian Council of State, the organ established to safeguard justice in government administration, has ruled that it can act on appeals by landowners against land-expropriation measures now being undertaken in certain zones by the government.

The Italian Government, surprised by the Council's decision, argues that the land-reform program cannot be subjected to such review because it rests on parliamentary enactment instead of administrative decree. The government is expected to appeal the matter to Italy's highest court. The US Embassy in Rome comments that the surprise ruling by the Council of State is serious because it opens the way for a flood of court actions by ex-landowners. 

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Comment: The landowners plan to utilize every means at their disposal to delay, and if possible to kill, the long-awaited agrarian reforms to combat Communism and increase agricultural production by allocating prior to 1955 nearly 1,500,000 acres of land to some 100,000 peasants. If the spring elections in southern Italy result in gains by the extreme right, as is expected, then conservative landowners will be in a stronger position to impede the land-reform program.

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15. Suances still exerts important influence in Spanish regime:
Former Spanish Minister of Industry and Commerce Suances re-
tains considerable influence within the government, despite his
removal from the cabinet in July 1951. It was reportedly be-
cause of his personal appeal to Franco that the Foreign Ex-
change Institute, despite its opposition to making new commit-
ments against Spain's future dollar resources, was ordered to
guarantee the availability of five million dollars for the pur-
chase of American aircraft for the Spanish airline, Iberia.
Suances is still President of the quasi-official development
agency, the National Institute of Industry, which owns Iberia.

Comment: Suances has been the chief planner and protago-
nist of a state directed and controlled economy in Spain. His
dismissal and the appointment of Arburua as Minister of
Commerce were regarded as conciliatory gestures toward business-
men, industrialists, and other critics of the regime's economic
policies. Thus far, such relaxation of controls as Arburua
has effected resulted from improved economic conditions rather
than from any apparent change in policies.

16. Another round of wage demands in Britain seen resulting
from new budget: The American Embassy in London expects a
new series of wage demands as a result of the 1952-1953 budget's
reduction of food subsidies by about 40 percent. The trade
union movement formally repudiated the Labor government's wage
restraint policy as far back as September 1950, and the new
budget has already been under attack in influential union quar-
ters on the ground that its income tax reductions do not ade-
quately compensate for the higher food prices it will entail.

The General Council of the Trades Union Congress is ex-
pected to launch a formal attack on the budget after its monthly
meeting on 26 March since in a pre-budget recommendation it
had asked that food subsidies be increased.

Comment: The budget proposals will hit most severely the
unskilled workers who make up the bulk of the general unions,
which in turn hold the biggest membership in the TUC. These
workers will have to meet the extra food costs with little or
no assistance from the income tax concessions, since they have
been paying little or no tax.

During the past year and a half there have been two general
rounds of wage increases, the second of which is now almost

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completed. During 1951 the wage index rose from 114 to 126 (June 1947 = 100); the retail price index rose from 116 to 130, and has continued to rise steadily this year.

17. Britain complains against US rubber policies: The British Embassy in Washington has lodged a formal complaint with the Department of State that the RFC's recent cut in the price of synthetic rubber will have "serious effects" on the economic and political situation in producing countries. The British further ask for assurances that the United States will continue stock-piling natural rubber at a "steady and substantial rate," and do as much as possible to protect the competitive position of natural rubber in the American market. [REDACTED]

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[REDACTED]

Comment: This complaint reflects the long-standing British fear of the consequences of American development of synthetic rubber production. Since the reopening of the private market in the United States, the British Government has shown increased aggressiveness in defence of the Malayan industry, whose continued dollar earnings are a major source of strength to Britain in its grave balance of payments position.

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20 March 1952

CIA No. 49589

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SOVIET UNION

1. Eighty Russians leave Tokyo: On 17 March the Soviet ship Norilsk left Tokyo for Vladivostock carrying 80 of the Soviet personnel stationed in Tokyo. The group included four civilians and five military members attached to the mission, the others being women and children. Soviet personnel remaining in Japan number 39 civilians and 25 military members of the mission, and twelve wives and five children of civilians, four wives and two children of military personnel and one TASS representative.
-

Comment: This is the third exodus of Soviet personnel from Japan since 27 May 1950, when a group of 58 left with Lt. Gen. Derevyanko, then head of the Soviet Mission. Another departure occurred on 1 December 1951 when 70 persons including 32 military personnel returned. These were replaced by a smaller number of personnel, predominantly economic officials.

This series of transfers lends support to the speculation that Moscow will attempt to maintain representation in Japan, possibly in the form of a trade office. The latest departure is probably an economy move since the USSR must now assume responsibility for cost of its personnel in Japan.

EASTERN EUROPE

2. Reappearance of Oatis at Czech spy trial regarded as unfavorable development: American Ambassador Briggs does not regard the appearance of William Oatis as witness for the prosecution in the latest Czech spy trial as a favorable development. He warns that the government's decision

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on whether to release Oatis will probably be based on over-all advantages and that any judgment as to the significance of his reappearance should be reserved for the moment.

[REDACTED]

WESTERN EUROPE

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3. Schuman and Adenauer expected to reach agreement on Saar issue: A French Foreign Office spokesman expects Foreign Minister Schuman and Chancellor Adenauer to issue a conciliatory statement on the Saar after their current talks, during which the two may agree to drop the Saar question from the agenda of the Council of Europe Ministers' Committee.

The British Ambassador in Paris told the American Charge that Foreign Secretary Eden is making an informal approach to both Adenauer and Schuman on the Saar issue.

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[REDACTED]

Comment: The French have taken steps to avoid open discussion of the Saar by the Council. If the case should reach the Council, the pro-French Saar Government is prepared to present a rebuttal of the German position.

Adenauer's recent request to the German press to avoid emphasizing the problem and his Deputy Foreign Minister's recent public statement that the Council of Europe would not be asked to discuss the matter are additional indications of a desire to reach an agreement with Schuman.

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